



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
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BULLHEAD CITY MAN COMMITS \$2.6 MILLION FRAUD, COMMISSION REACHES SETTLEMENT WITH AMERICAN NATIONAL MORTGAGE COMPANY DEFENDANTS

PHOENIX – The Arizona Corporation Commission issued a default order in one case and approved a settlement with two defendants requiring the return of over \$2.6 million to investors and the payment of \$160,000 in penalties. The Commission issued the default order on a Bullhead City securities salesman who defrauded his clients and spent the money on personal expenses. The other cases involved two defendants who agreed to pay penalties and return commissions for fraudulently selling interests in land trusts.

David Lee McMillan

The Commission issued a default order against 40-year-old securities salesman, David Lee McMillan of Bullhead City, who defrauded his clients of over \$2.6 million. The Commission revoked his Arizona securities registration and levied a \$100,000 fine.

From about 1999 through 2005, McMillan offered and sold various investment contracts, including fictitious first trust deeds, certificates of deposit, variable annuities and project development loans. McMillan told investors that they would receive interest payments. Most of the 21 identified investors lived in the Bullhead City area and some were long-time friends of McMillan.

McMillan was a registered Arizona securities salesman with broker-dealer, Royal Alliance Associates, Inc. for over 10 years and with Geneos Wealth Management, Inc. for less than a year. The Commission found that Geneos Wealth Management discharged McMillan after receiving multiple complaints that revealed his undisclosed, outside business activity of selling fraudulent investments.

The Commission found that McMillan had opened a credit union account under the name of “Schooner Financial Associates” without the adviser’s knowledge or authorization. Out of this account, McMillan paid monthly principal and interest payments to some of the investors.

Currently, McMillan is not affiliated with any securities dealer. McMillan was also a licensed Arizona insurance agent until September 2005.

The text of the stipulation and related documents will be posted at <http://www.ccsd.cc.state.az.us/enforcement/enforce-orders.asp>. All public documents related to this case can be viewed and/or printed through the Commission’s e-Docket system. The case or docket number assigned to the McMillan matter is S-20452A-06-0218.

Paul J. Meka and Robert K. Rehm

The Commission approved a settlement with two defendants in a civil matter against American National Mortgage Partners, LLC, 64-year-old Paul J. Meka of Scottsdale and 59-year-old Robert K. Rehm of Queen Creek. The defendants agreed to pay a total of \$60,000 in penalties and return \$81,000 to investors for fraudulently selling interests in land trusts.

Meka agreed to disgorge his \$81,000 in commissions and to pay a civil penalty of \$20,000 for violating a previous Commission order. Meka also agreed to pay another civil penalty of \$30,000 for his current violation, an amount that could be reduced to \$19,000 if he pays the total penalties due and returns the commission amount within six months from the date of the Commission’s order.

Rehm agreed to pay a \$10,000 penalty, which will be reduced to \$5,000 if he provides documentation indicating a waiver of his monetary claim in the American National Mortgage Partners bankruptcy case. Rehm had invested his own personal funds in the land trust investment opportunity.

Meka was a salesperson and Rehm a member of various entities within American National Mortgage Partners, LLC, a registered mortgage broker and its predecessor company, Creative Financial Funding, LLC. Neither man was registered to sell securities in Arizona.

The land trust investment opportunity appeared in various publications, touting 5 to 24 percent returns with no risk. Defendants claimed investor funds would be loaned to small- to medium-sized businesses

secured by deeds of trust on commercial real estate, but the Commission alleged this statement was false.

Additionally, the Commission alleged the investment opportunity was a “Ponzi-like” scheme, using investor funds to pay interest payments to other investors and that there was:

- Misrepresentation to investors the equity available in the real property that served as collateral security for their investments,
- Misrepresentation to investors that their investments were properly and adequately secured by real estate or personal property,
- Failure to disclose a previous Commission order against some of the defendants and
- Failure to disclose to investors that their funds were not being used as represented to them.

Rehm and Meka neither admitted nor denied the Commission’s allegations but agreed to the entry of the judgment. The settlements with the two defendants will be submitted with stipulated final judgments to Maricopa Superior Court Judge Timothy J. Ryan for his approval.

In March 2003, the Commission filed in Superior Court a civil case against American National Mortgage Partners, including Meka, Rehm and seven other defendants. The Commission also sought and obtained a receiver to take control of the assets of American National Mortgage Partners and its affiliated companies. The total restitution owed to investors is estimated at \$20 million.

Before investing, contact your state securities regulator to check whether both the seller and investment are registered. Entrusting your money with someone for investment purposes, while expecting a profit through the efforts of others, may involve a security and sales agents/dealers subject to registration. **VERIFY BEFORE YOU BUY!** Call the Securities Division, (602) 542-4242, toll free (866) VERIFY-9. The Division’s investor education web site also has helpful information at www.azinvestor.gov.

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